

EXECUTIVE SUMMARY AND CONCLUSIONS

The following pages contain a summary of primary findings and conclusions in the Market Profiles study of the Fulton Mall, a six-block long pedestrian mall (including a number of cross-mall streets) in the City of Fresno, California. The purpose of the study is to evaluate the potential economic impacts¹ resulting from placement of the Fulton Mall onto the National Register of Historic Places, based on a nomination to do so that has been filed by the Downtown Fresno Coalition, a private consortium.

The study is based on extensive primary and secondary research, including a series of interviews with key individuals in the Fresno area who are involved in or have interests related to the Fulton Mall. A list of interviewees appears in the Appendix to this report. The study includes an evaluation of opportunities and potential for economic activity on or near the mall, as well as an analysis of the dynamics related to the property being listed on the National Register of Historic Places. In addition, the study provides a brief review of the experience at pedestrian malls in other locations throughout the United States.

BACKGROUND

Fulton Mall was converted to its current configuration as part of an effort to revitalize the Downtown Fresno area, and it was intended to enhance the central business district's retail environment and halt declining property values. Designed by master landscape architect Garrett Eckbo and completed in 1964, the Mall initially was a success, capturing a significant share of the City's retail market sales. However, as Fresno evolved and new residential and commercial development was concentrated outside the Downtown area, the Mall began to decline in popularity and condition, and that decline has continued to the present time.

Today, Fulton Mall functions largely as an urban park, characterized by relatively low levels of retail and other economic activity and (despite the presence of Chukchansi Park, home of the minor league Fresno Grizzlies baseball team) largely devoid of any significant activity on weeknights after 5 PM, when the Downtown area's more than 40,000 daytime workers leave their places of employment. Vacancies are common among the storefronts (and especially in spaces above the ground level) along the Mall, and those outlets that are located on the Mall often cater to small niche markets, including numerous ethnic retailers.

¹ An attempt has been made to quantify the economic impact resulting from listing on the National Register, based on research and analysis, as summarized in this report. It appears that the primary impacts of such an event would be in the nature of limiting the ability (or at least increasing the level of difficulty, challenge and therefore expense) to make any substantive changes to the listed site. These, in turn, would limit future options to revitalize the Mall and surrounding area, but the extent of those limitations cannot be established precisely because of the subjective nature of the potential litigation process.

Although they account for 1.3 percent of retail outlets throughout the City, Mall merchants currently account for just 0.2 percent of all taxable retail sales activity in the City of Fresno.

Over the years, the Mall has been the subject of numerous studies prepared by both public and private sector organizations, with most of the studies focusing on ways to improve the viability and performance of the economic and life-enhancing aspects of the Mall. While some of the studies concentrated on other aspects of the project, many of them addressed the questions related to re-introducing some form of vehicular traffic to some or all of the length of the mall, and many (but not all) concluded that this action could be a key factor in the ultimate economic vitality of the area².

ECONOMIC OPPORTUNITIES

Section III of this report contains a detailed analysis of the economic and demographic characteristics of the Fresno area and Downtown Fresno specifically, and provides projections of future demand for various land uses that could be accommodated on portions of the Fulton Mall and surrounding areas.

- ❑ Retail development and leasing success is highly dependent on the quality of the location and its access to potential customers, and the nature of tenants attracted to a given site is influenced strongly by the quality and quantity of those customers. Although the Downtown area in general currently attracts a disproportionate share (relative to resident population) of Fresno market sales, this is largely due to the 40,000 daytime employees (who leave the area at night), and Fulton Mall's share of Downtown activity has been decreasing steadily. Without significant changes to the current nature of the Mall environment and its customer base, it is unlikely that additional quality retailers can be attracted to the site, and the level of retail activity along the mall could deteriorate further.
- ❑ Office users, including government agencies, represent a significant share of demand for commercial space within the Downtown area, and Market Profiles projects that the Downtown area can absorb between 35,000 and 70,000 square feet of new office space annually. The quality and configuration of the space, as well as the nearby amenities that support it, can have a significant influence on the ability of a given site to capture office users in any significant numbers. While certain buildings along Fulton Mall currently house some office users, most of the occupied space consists of government activities, which are clustered near the northern end of the Mall. If the environment of the Mall were more supportive of quality office users, it is likely that other types of tenants, including higher-level

² According to the Urban Land Institute's *Mixed Use Development Handbook*, generally accepted retail planning and development practices dictate that "shoppers and pedestrians will walk about a quarter mile if it is interesting . . . Shoppers resist walking horizontally more than three city blocks." While it is crossed by two streets that carry vehicular traffic, Fulton Mall extends for six city blocks, a linear distance of about ½-mile (2,670 feet), and the mall effectively functions as a single, six block long array of storefronts that cannot be viewed by drive-by traffic.

professionals, might be attracted to buildings along the Mall, including spaces in the upper floors of the currently mostly vacant historical buildings located there.

- ❑ Residential development opportunities in and around the Mall area are relatively limited, in part because the area is mostly built out but also because the residential environment of Downtown is less desirable than in other parts of Fresno, at least for the general market. While there may be opportunities to serve those residents of the Fresno area that are attracted to an urban lifestyle, to date the projects that have targeted this niche of the market have had only limited success in selling their converted spaces. Based on projected employment growth, the Downtown area can support approximately 70 to 75 new households per year, although this number might be expanded if there were a more supportive base of everyday living amenities and a better quality of life in the area.

The amount of future activity that could be captured on the Mall itself is dependent on a large number of factors, some of which will be influenced by the economic development and stimulation options available to the City. These, in turn, are dependent on the future course of the Mall itself and whether it becomes a listed property on the National Register of Historic Places.

NATIONAL REGISTER LISTING

The National Register of Historic Places was created to help property owners and groups coordinate, identify and protect historic sites in the United States. To qualify for listing on the National Register, a site or building must meet certain criteria and undergo a series of evaluation steps. Ultimately, listing of a site is determined by the Keeper of the National Register in Washington, D.C., but that determination is based on recommendations flowing out of a series of intermediate approval steps, including hearings at the local and state level.

If a property is placed on the National Register, it is not necessarily protected from change, although the ability to make significant changes (up to and including demolition) is subject to a rigorous process, including evaluation under the California Environmental Quality Act (CEQA). Although some changes do not trigger a full Environmental Impact Report (EIR), those that do are subject to challenge through various means, up to and including filing of lawsuits. Desirable or otherwise potentially beneficial public and private sector projects have been withdrawn by their sponsors to avoid the cost and time delays of the litigation process.

Given the likelihood that any proposed revisions to the Mall area would be controversial and subject to litigation challenges, experts in CEQA matters³ have indicated that it is unlikely that any significant alterations or modifications of design or circulation features of the Mall could take place following registration on the National Register.

Section IV of this report reviews the implications of the nomination including the potential limitations as well as benefits from listing the Mall on the National Historic Register. Specifically, the range of funding and grant options available to National Register properties is analyzed, and based on that analysis Market Profiles concludes that any of the funding options that might benefit the Mall could be obtained even if the Mall is not placed on the National Register Of Historic Places.

OTHER PEDESTRIAN MALLS

In preparation of this report, Market Profiles conducted an extensive review of pedestrian malls that have been constructed across the nation, and determined that a total of approximately 200 such facilities were developed by municipalities, mostly during the Urban Renewal era of the 1950's, 1960's and 1970's. The vast majority of these developments proved to be unsuccessful and have been reopened to some form of vehicular traffic.

Those malls that have been successful in maintaining their pedestrian-only configurations typically have benefited from extraordinary circumstances, including being at the terminus of significant sources of traffic (e.g., Brooklyn's Fulton Street Mall, which is served by 14 train lines and 11 bus lines providing 100,000 daily visitors) or having the benefit of extremely high demographics and proximity to highly desirable amenities (e.g., Santa Monica's Third Street Promenade, located less than a mile from the Pacific Ocean).

ECONOMIC OPPORTUNITY CALCULATIONS

Based on current Assessed Valuation of properties along the mall as well as Taxable Retail Sales figures obtained from the California State Board of Equalization, as it currently is configured and operating, the City's share of property tax (including the portion going to the City itself as well as the amounts credited to the Redevelopment Agency⁴) generates a total of \$220,613 per year in property tax revenue. The City's share of sales tax generates an additional \$145,356 per year for the benefit of Fresno citizens. **Combined, these two sources of revenue currently contribute a total of \$365,969 to the City's coffers.**

³ Three environmental experts and an attorney experienced in CEQA litigation were interviewed and consulted in preparation of this study. A list of Key Individuals Interviewed appears in the Appendix.

⁴ Technically, the RDA is a separate entity and its revenues are not combined into the City's general fund. However, for purposes of this analysis the two revenue streams have been considered as if they were flowing to a single receiving agency, which would be the case at some point in the future following expiration of the Plan (currently due to expire January 1, 2012).

Even without limitations that might occur if the Mall were to be placed on the National Register, it is clear that the Mall's full potential can only be realized if significant changes are made to the basic configuration and environment inherent in the Mall itself. In Section VI of this report, an attempt is made to determine what the maximum potential (in terms of City property tax and sales tax collections) for the Mall would be, if it could in fact be developed to its full development capacity. Section VI also evaluates how achievement of that maximum potential might be impacted if the Mall were to be placed on the National Register.

While the calculations shown in Section VI are merely hypothetical and based on assumptions (detailed in the section) that might prove untrue, the numbers that come out of the analysis provide a look at what might be possible if everything came to fruition. As shown in that analysis, at full development the Mall and adjacent buildings have the potential to generate approximately \$184,000,000 in annual retail sales and a total property valuation in excess of \$283,000,000.

In terms of annual revenue to the City of Fresno, in addition to fees and other benefits associated with a revitalized Downtown, **the full buildout and utilization of the Mall would provide annual sales tax revenue of \$1,748,760 and annual property tax revenue of \$4,702,500 for the City's coffers, or a combined total of approximately \$6,451,260 million per year from the two revenue sources.**

Although it cannot be calculated with certainty, most likely the impact of the placement of the Mall onto the National Register would be to limit the potential for additional revenue to a point somewhere between the current situation (total revenue from combined property and sales tax of approximately \$365,969) and the ultimate buildout potential combined revenue from the two sources of approximately \$6,451,260).

Assuming that development potential would be limited to about 50 percent of its long term potential⁵, that would mean that the combined revenue from real estate and sales taxes would be reduced by approximately \$3,225,630. Thus, the potential economic impact from listing Fulton Mall on the National Register of Historic Places would be a loss in potential sales and property taxes of at least \$2,859,661 per year⁶ (in 2008 dollars) and, if development were to be limited to its current condition ("frozen in place") then the potential annual loss could be as high as \$6,085,291.

⁵ In its current condition, the Mall is generating property and sales tax revenue at a level that is approximately 5.7 percent of the ultimate potential. Although economic activity could be enhanced through various actions following the listing of the Mall on the National Register, it is highly unlikely that the basic paving element of the Mall could be altered significantly and therefore no vehicular traffic could ever be re-introduced to the street. Thus, Market Profiles assumes (for purposes of this analysis) that the desirability of the Mall to future retailers would be impaired significantly, and that future development potential of any of the potential uses along the Mall would achieve at most about half of their optimum level.

⁶ This represents the net amount of incremental annual revenue (above the current level of \$365,969) that would not be collected because the Mall was only developed to 50 percent of its full buildout potential.

While Fresno's Fulton Mall has certain elements that could provide the basis for future success, Market Profiles concludes that *its future options for revitalization and thus the potentials for revenue to the City would be impaired significantly* if the site were to be listed on the National Register of Historic Places.